

# Statement in response to the DCLG paper on the 'Future of local audit' consultation

4 January 2012

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The Audit Commission welcomes the publication by the Department of Communities and Local Government (DCLG) of the government response to the future of local audit consultation. The publication of this paper marks the next stage in the development of the new framework for local public audit.

External audit is an essential element in the process of accountability for public money. It is right that councils and other stakeholders, including the auditing profession, should now have a further opportunity to consider and comment on the government's proposals, and help to shape the new framework of local public audit.

We have had a constructive dialogue with DCLG in developing the proposals and a lot of progress has been made, but we believe there is still further work to do in a number of areas:

- It is still unclear how the proposed statutory Independent Audit Appointment Panels (IAAP), which may be shared with a number of other local public bodies, will operate. How they will relate to existing governance structures of individual bodies also remains to be worked out. They are not yet an adequate substitute for proper independent appointment of auditors.
- There is a potential 'accountability gap' in the proposals. A mechanism needs to be developed to ensure Departmental Accounting Officers continue to receive the assurance they have from the Commission's regime, that the billions of pounds of public money given to local public bodies have been safeguarded, accounted for properly and spent for the purposes intended.
- The proposed regulatory framework provides for three separate agencies - the National Audit Office (NAO), the Financial Reporting Council (FRC) and Recognised Supervisory Bodies - to discharge the Commission's current regulatory functions in relation to local public audits. It is not clear that this would be more effective, or cheaper, than a single, integrated regulatory body.

We welcome the commitment to publish a Draft Bill and impact assessment, which will enable more detailed scrutiny, including whether the new approach will result in increased costs for audit firms and local public bodies, and the implications of the proposals on audit fees.

The Commission remains committed to helping DCLG put in place arrangements for local public audit that are robust and sustainable. We will continue to work with DCLG and other stakeholders, including the NAO, the FRC and the professional institutes, to develop the government's proposals.